

No.: 96-50
Date: July 3, 1996

Federal Housing Finance Board

Approval of the Federal Home Loan Bank Presidents'
Incentive Compensation Program

WHEREAS, pursuant to Section 12 of the Federal Home Loan Bank Act (12 USC 1432), the Federal Housing Finance Board (Finance Board) approves the compensation for Federal Home Loan Bank (FHLBank) presidents; and

WHEREAS, Finance Board Resolution No. 91-565 dated November 19, 1991, as amended, establishes a FHLBank Presidents' Compensation Plan comprised of a base salary program and an incentive compensation program (ICP); and

WHEREAS, the Finance Board believes that each FHLBank President's performance should be measured for purposes of determining awards made under the ICP in terms of his or her extraordinary efforts aimed at enabling the FHLBank to fulfill its mission to promote housing finance and to facilitate community development lending by making needed and inexpensive credit products and services available to members and nonmember mortgagees and to operate the FHLBank in a safe and sound manner; and

WHEREAS, the Finance Board further believes it is important to involve the FHLBanks' boards of directors, which are ultimately responsible for the effective and prudent management of the FHLBanks, in the both the development of criteria and the measurement of performance under the ICP.

NOW THEREFORE, BE IT RESOLVED, that the FHLBank President's Compensation Plan is hereby amended to reflect the following changes with regard to the ICP component:

1. In order for any incentive payment to be made, the most recent examination of the FHLBank by the Finance Board must not have identified an unsafe or unsound practice or condition,
2. Annual performance targets as discussed in 4, 5 and 6 below must be expressed numerically,
3. Numeric targets established by each FHLBank's board of directors, must illustrate an improvement in performance over the prior year or illustrate an extraordinary achievement in attaining the designated target,


4. At least 20 percent of the ICP award shall be based on the following criteria illustrating the FHLBank's emphasis on the portion of its mission involved with support for member credit activities:
 - a. Average annual advances outstanding
 - b. Average annual letters of credit outstanding and average annual notional principal outstanding in swap contracts with members
5. At least 30 percent of the ICP award shall be based on the following criteria illustrating the FHLBank's emphasis on additional support for housing and community development finance:
 - a. Average annual Community Investment Program (CIP) advances outstanding, which are provided in support of new CIP lending activity, not as refinancings of existing CIP-eligible loans originated more than thirty days prior to the CIP financing request, nor for the purpose of borrower balance sheet restructuring,
 - b. Average annual consolidated obligation principal customized for and issued to state or local government agencies, non-profits, foundations, and other entities, the proceeds of which serve unmet needs.
 - c. Average annual balances outstanding in investments identified as fulfilling unmet needs by the Finance Board, where such investments are to be in accordance with the Financial Management Policy (FMP) Section IIB items 11 and 12, and other investments as approved by the Finance Board.
6. Any remaining portion of the ICP award shall be based upon the FHLBank achieving other objectives as determined by its board of directors, and such objectives shall be based solely on the performance of the FHLBank in achieving its mission during the year for which the incentive payment is being made; and
7. A FHLBank board of directors shall assign a weight greater than zero for each of the criteria in paragraphs 4 and 5 as it deems appropriate based upon its view of the importance of each of these activities in enabling the FHLBank to fulfill its mission,

FURTHER RESOLVED, the maximum incentive amount payable shall be determined by the Finance Board at its next earliest opportunity; and

FURTHER RESOLVED, that the board of directors of each FHLBank participating in the ICP for the 1996 calendar year shall submit a plan to the Finance Board within 60 days of the date of this resolution, and for all future years, each FHLBank participating in the ICP shall submit a plan to the Finance Board by March 1 of each year, and after the end of each year, the board of directors of each FHLBank shall submit to the Finance Board a certified adopted resolution showing the individual performance results and any incentive award amount to be paid for the year to the FHLBank president; and

FURTHER RESOLVED, that no incentive compensation award may be paid to a FHLBank president, unless such award is made in accordance with the above.

By the Board of Directors of the
Federal Housing Finance Board

A handwritten signature in black ink, appearing to read "B A Morrison". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bruce A. Morrison
Chairman